

## **Exhibit 2**

ZACHARY NYE, PH.D. - 02/02/2018

1 UNITED STATES DISTRICT COURT  
2 SOUTHERN DISTRICT OF NEW YORK  
3 -----x

4 GARY KOOPMAN, TIMOTHY KIDD and  
5 VICTOR PIRNIK, Individually and on  
6 Behalf of All Others Similarly  
7 Situated,

8 Plaintiffs,

9 v. 15-cv-7199 (JMF)

10 FIAT CHRYSLER AUTOMOBILES N.V.,  
11 SERGIO MARCHIONNE, RICHARD K.  
12 PALMER, and SCOTT KUNSELMAN

13 Defendants.

14 -----x

15 February 2, 2018  
16 10:00 a.m.

17

18 Videotaped Deposition of ZACHARY NYE,  
19 Ph.D., taken by Defendants, at the offices of  
20 SULLIVAN & CROMWELL LLP, 125 Broad Street, New  
21 York, New York, before Frank J. Bas, a  
22 Registered Professional Reporter, Certified  
23 Realtime Reporter and Notary Public within and  
24 for the State of New York.

25

ZACHARY NYE, PH.D. - 02/02/2018

Page 2

1 A P P E A R A N C E S:

2

3 POMERANTZ LLP

4 Attorneys for Plaintiffs

5 600 Third Avenue

6 New York, New York 10016

7 BY: JEREMY A. LIEBERMAN, ESQ.

8 jalieberman@pomlaw.com

9 MICHAEL J. WERNKE, ESQ.

10 mjwernke@pomlaw.com

11

12 -and-

13

14 THE ROSEN LAW FIRM, P.A.

15 Attorneys for Plaintiffs

16 275 Madison Avenue, 34th Floor

17 New York, New York 10016-2498

18 BY: SARA FUKS, ESQ.

19 sfuks@rosenlegal.com

20

21

22

23

24

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ZACHARY NYE, PH.D. - 02/02/2018

Page 3

1 A P P E A R A N C E S (CONTINUED) :

2

3 SULLIVAN & CROMWELL LLP

4 Attorneys for Defendants

5 125 Broad Street

6 New York, New York 10004

7 BY: JOSHUA S. LEVY, ESQ.

8 levyjo@sullcrom.com

9 MATTHEW A. PELLER, ESQ.

10 pellerm@sullcrom.com

11

12

13

14

15 ALSO PRESENT:

16 DREW CERRIA, Videographer

17

18

19

20

21

22

23

24

25

1 ZACHARY NYE, Ph.D. 10:25:30

2 vigorously argue that these findings are the 10:25:33

3 product of improper econometric tests and that 10:25:36

4 these are spurious observations. 10:25:39

5 And there's a debate. It's not 10:25:41

6 100 percent determined who is right or wrong. 10:25:44

7 Long-term, you know, as more data comes in, 10:25:46

8 that should be -- become more clear. 10:25:50

9 But these are also very 10:25:52

10 long-term findings. These are not 10:25:57

11 contradicting the event studies using short 10:26:01

12 windows, which is akin to what we use -- it is 10:26:03

13 what we use, when what I've done here in this 10:26:06

14 event study for my report and what I've done 10:26:08

15 for many other cases. 10:26:11

16 And the academic literature on 10:26:13

17 that front is that stock prices do react 10:26:18

18 significantly or at least appropriately to the 10:26:23

19 release of information. In short windows. 10:26:29

20 Q. Let's turn to page 24. And 10:26:47

21 if you see on the bottom paragraph you write 10:26:50

22 (as read): 10:26:52

23 For all of the data series, the 10:26:54

24 responses of the Yosemite prices to 10:26:56

25 lagged information is statistically 10:26:58

ZACHARY NYE, PH.D. - 02/02/2018

Page 30

1	ZACHARY NYE, Ph.D.	
2	of market industry effects. I have that	10:50:16
3	in one of my exhibits. But I haven't gone	10:50:18
4	in and analyzed the informational impact on	10:50:21
5	those dates.	10:50:29
6	Q. So it sounded like, from what	10:50:30
7	you said before, you had gone through the	10:50:33
8	complaint and tried to identify the corrective	10:50:35
9	disclosures to include in your study, is that	10:50:38
10	right?	10:50:40
11	A. Yeah, the corrective events.	10:50:40
12	Q. Did you conduct that same	10:50:42
13	analysis for the alleged misstatements in the	10:50:44
14	complaint?	10:50:48
15	A. No, I did not. And I think it	10:50:48
16	wouldn't be particularly useful because this	10:50:50
17	is -- my understanding is that this is a price	10:50:53
18	maintenance case, so you shouldn't expect to	10:50:56
19	see significant price movements because	10:50:59
20	they -- it's more likely they didn't tell the	10:51:02
21	truth as opposed to lying about something	10:51:04
22	positive that didn't really exist.	10:51:06
23	Q. And what's your basis for this	10:51:08
24	being a price maintenance case?	10:51:10
25	A. From reading the complaint.	10:51:11

1 ZACHARY NYE, Ph.D.

2 Also just knowing the general -- it is 10:51:13

3 obviously a price maintenance case, in my 10:51:15

4 economic opinion. 10:51:18

5 Q. And what's the basis for that 10:51:19

6 opinion? 10:51:22

7 A. Knowing the allegations and 10:51:22

8 knowing what information affects stock prices 10:51:27

9 and what doesn't impact stock prices, and in 10:51:30

10 my opinion these misstatements shouldn't have 10:51:33

11 been expected to impact the stock price. 10:51:37

12 Q. So you would not expect any of 10:51:39

13 the alleged misstatements to have any effect 10:51:41

14 on FCA stock price? 10:51:44

15 A. Yeah, I would be surprised if 10:51:46

16 they did. I can't recall all the misstatement 10:51:47

17 dates. And if they moved it might be because 10:51:50

18 of confounding information unrelated to the 10:51:52

19 alleged misstatements. Because I do remember 10:51:55

20 there's a lot of earnings releases that 10:51:57

21 coincided with the alleged misstatements. 10:52:01

22 But no, yeah, the alleged 10:52:04

23 misstatements themselves were not saying that 10:52:06

24 they were non-compliant. So the market 10:52:08

25 assumed they were compliant, is my 10:52:10

1 ZACHARY NYE, Ph.D. 10:52:13  
2 understanding, such that you wouldn't expect  
3 to see a price movement when they say, hey, 10:52:14  
4 we're compliant. 10:52:17  
5 Q. Let's turn to the complaint, 10:52:18  
6 page 78. 10:53:02  
7 A. Did you say 78? 10:53:04  
8 Q. Yes. Do you have that in front 10:53:05  
9 of you? 10:53:06  
10 A. I do. 10:53:07  
11 Q. And do you see there's a 10:53:07  
12 section entitled "Material False and 10:53:09  
13 Misleading Statements Issued During the Class 10:53:11  
14 Period"? Do you see that? 10:53:12  
15 A. I do. 10:53:13  
16 Q. And as we discussed earlier, 10:53:13  
17 you didn't review these statements or include 10:53:16  
18 them in your study? 10:53:18  
19 A. I've reviewed the statements 10:53:19  
20 but I didn't -- they're not in my exhibit 15. 10:53:22  
21 Q. And if we turn to 10:53:27  
22 paragraph 280. It states that (as read): 10:53:40  
23 On November 26, 2014 Chrysler 10:53:42  
24 filed a Form F-1/A with the SEC. 10:53:45  
25 Do you see that? 10:53:48

ZACHARY NYE, PH.D. - 02/02/2018

Page 55

1	ZACHARY NYE, Ph.D.	
2	A. I do.	10:53:49
3	Q. And then in the next paragraph,	10:53:49
4	281, it includes some statements from that	10:53:51
5	Form F-1/A, including, about two-thirds of the	10:53:53
6	way down (as read):	10:53:56
7	We are substantially in	10:53:57
8	compliance with the relevant global	10:53:58
9	regulatory requirements affecting our	10:54:00
10	facilities and products.	10:54:01
11	Do you see that?	10:54:02
12	A. I do.	10:54:03
13	Q. And you hadn't conducted any	10:54:04
14	analysis of press or earnings --	10:54:09
15	MR. LEVY: Withdrawn.	10:54:13
16	BY MR. LEVY:	10:54:14
17	Q. You haven't conducted any	10:54:14
18	analysis of press or analyst reports related	10:54:15
19	to that disclosure?	10:54:18
20	MR. LIEBERMAN: Objection to	10:54:26
21	form.	10:54:27
22	Go ahead.	10:54:27
23	A. I don't -- no, that's not an	10:54:28
24	event date in my exhibit 15.	10:54:30
25	So we've calculated the return,	10:54:32

1	ZACHARY NYE, Ph.D.	
2	the -- on the impact data associated with	10:54:36
3	this, but I haven't gone in detail and	10:54:38
4	looked at every analyst report, and if there	10:54:40
5	exists any.	10:54:43
6	I certainly have all of the	10:54:43
7	analyst reports that I can get my hands on,	10:54:44
8	and it may well be that there are no analyst	10:54:47
9	reports related to this because this is a	10:54:49
10	Form F-1/A, which isn't the -- usually the	10:54:51
11	most covered of the SEC forms, and I don't	10:54:56
12	know of any news at the moment either.	10:55:02
13	But in short, in summary, it's	10:55:06
14	not examined in my exhibit 15, my event study.	10:55:08
15	Q. I guess keeping the complaint	10:55:12
16	in front of you, if you want to pull up	10:55:15
17	exhibit 14B in your report.	10:55:17
18	A. Sure. Go to this date?	10:55:20
19	Q. Yes. If you can look to	10:55:38
20	November 26, 2014. It's about two-thirds	10:55:39
21	of the way down the page. Halfway. Do you	10:55:41
22	see it?	10:55:43
23	A. I do see it.	10:55:46
24	Q. And your regression results	10:56:03
25	show that there was no statistically	10:56:07

1	ZACHARY NYE, Ph.D.	
2	significant impact on FCA's stock price on the	10:56:09
3	date of this alleged misstatement, is that	10:56:11
4	right?	10:56:16
5	A. Yeah, I mean, I don't know the	10:56:16
6	timing, whether it was before or after market	10:56:17
7	close or during the market hours of the	10:56:19
8	filling, but it doesn't really matter because	10:56:21
9	there's no significant return in the	10:56:22
10	surrounding days either. So there's no	10:56:27
11	significant return associated with this	10:56:29
12	filling.	10:56:30
13	Q. Let's turn to paragraph 294 of	10:56:33
14	the complaint.	10:56:41
15	A. I'm there.	10:56:57
16	Q. Do you see it states (as read) :	10:56:59
17	On March 5, 2015 Chrysler	10:57:00
18	issued a press release and filed	10:57:03
19	an annual report on Form 20-F with	10:57:04
20	the SEC.	10:57:06
21	Do you see that?	10:57:07
22	A. Yes.	10:57:12
23	Q. And then turning to paragraph	10:57:14
24	302 do you see that according to the complaint	10:57:17
25	this Form 20-F also contained the language	10:57:26

1	ZACHARY NYE, Ph.D.	
2	that (as read) :	10:57:29
3	We are substantially in	10:57:30
4	compliance with the relevant global	10:57:31
5	regulatory requirements affecting our	10:57:34
6	facilities and products.	10:57:35
7	Do you see that?	10:57:36
8	A.  I do.	10:57:36
9	Q.  And turning back then to	10:57:37
10	exhibit 14B of your report.	10:57:43
11	A.  Okay.	10:57:46
12	Q.  If you can find that date.	10:57:46
13	It's on page 2.	10:57:48
14	A.  I'm sorry. March 5?	10:58:03
15	Q.  Yeah, March 5, 2015.	10:58:04
16	A.  March 5, 2015. Okay. I'm	10:58:11
17	there.	10:58:14
18	Q.  And do you agree that there is	10:58:14
19	no statistically significant effect on FCA	10:58:17
20	stock price on that day or the surrounding	10:58:20
21	days as a result of that alleged misstatement?	10:58:22
22	A.  I agree.	10:58:24
23	Q.  And did you review any press or	10:58:25
24	analyst coverage surrounding that Form 20-F?	10:58:27
25	A.  I may have. I can't recall	10:58:31

ZACHARY NYE, PH.D. - 02/02/2018

Page 59

1	ZACHARY NYE, Ph.D.	
2	any.	10:58:32
3	Q. And are you aware of any of	10:58:33
4	that analysis discussing this "substantially	10:58:35
5	in compliance" statement?	10:58:39
6	A. I'm sorry?	10:58:40
7	Q. Of any press or analyst reports	10:58:41
8	that you reviewed surrounding this Form 20-F,	10:58:49
9	are you aware of any of it discussing this	10:58:52
10	"substantially in compliance" language from	10:58:55
11	the complaint?	10:58:56
12	MR. LIEBERMAN: Objection to	10:58:56
13	form.	10:58:58
14	A. I am not aware of any, or don't	10:58:58
15	recall any to the extent I reviewed any.	10:59:00
16	Q. Let's turn to -- back to the	10:59:03
17	complaint, paragraph 314.	10:59:13
18	A. Okay.	10:59:30
19	Q. It states that (as read) :	10:59:31
20	On May 19 Chrysler also filed	10:59:32
21	a prospectus on Form F-4 with the SEC.	10:59:36
22	Do you see that?	10:59:39
23	A. I do.	10:59:39
24	Q. And further down in this	10:59:41
25	paragraph do you see this -- according to the	10:59:44

1	ZACHARY NYE, Ph.D.	
2	complaint that this Form F-4 also contained	10:59:46
3	the same "substantially in compliance"	10:59:50
4	language? Do you see that?	10:59:52
5	A. Yeah, I do.	10:59:55
6	Q. And turning back to exhibit	10:59:57
7	14B, if we can find that date. I think it's	11:00:02
8	also on page 2. No, it's on page 3. Sorry.	11:00:04
9	A. All right. I have found it.	11:00:11
10	Q. And you agree that there was no	11:00:13
11	statistically significant impact on FCA's	11:00:15
12	stock price on the date of this alleged	11:00:17
13	misstatement or on the surrounding dates?	11:00:19
14	A. I agree.	11:00:21
15	Q. And did you review any press	11:00:23
16	or analyst coverage for the Form F-4 on	11:00:29
17	May 19, 2015?	11:00:34
18	A. I may have, but I am not -- I	11:00:35
19	can't recall any.	11:00:38
20	Q. Let's turn to -- back to the	11:00:38
21	complaint, paragraph 316.	11:00:45
22	A. Okay.	11:00:48
23	Q. It refers there, or it states	11:00:49
24	(as read):	11:00:57
25	On June 17, 2015, Chrysler	11:00:58

ZACHARY NYE, PH.D. - 02/02/2018

Page 61

1 ZACHARY NYE, Ph.D.

2 issued a press release and filed with 11:00:59

3 the SEC a prospectus on Form 424B4. 11:01:00

4 Do you see that? 11:01:04

5 A. Yes. 11:01:05

6 Q. And then at the bottom of the 11:01:05

7 paragraph the complaint alleges that this SEC 11:01:07

8 filing stated (as read): 11:01:11

9 We are substantially in 11:01:12

10 compliance with the relevant global 11:01:13

11 regulatory requirements affecting our 11:01:15

12 facilities and products. 11:01:16

13 Do you see that? 11:01:17

14 A. I do. 11:01:18

15 Q. And turning back to exhibit 14B 11:01:19

16 of the report. 11:01:21

17 A. I'm there. 11:01:24

18 Q. If you can find that date, it's 11:01:24

19 also on page 3. Do you agree that on the date 11:01:26

20 of this alleged misstatement there was no 11:01:30

21 statistically significant impact on FCA's 11:01:32

22 stock price on this date or the surrounding 11:01:34

23 dates? 11:01:36

24 A. I agree. 11:01:36

25 Q. Did you review any press or 11:01:38

1 ZACHARY NYE, Ph.D.

2 analyst reports surrounding this SEC filing? 11:01:40

3 A. I may have. I can't recall any 11:01:43

4 that I reviewed. 11:01:49

5 Q. Let's look at some emission 11:01:49

6 statements now. Let's look at paragraph 343 11:01:54

7 of the complaint. 11:01:57

8 A. 343? Okay. 11:01:59

9 Q. And it refers to a January 27, 11:02:09

10 2016 earnings call. Do you see that? 11:02:12

11 A. I do. 11:02:14

12 Q. And if we look on the next 11:02:15

13 page, on the earnings call it's stated 11:02:22

14 that (as read): 11:02:27

15 I think we feel comfortable in 11:02:27

16 making the statement that there are no 11:02:28

17 defeat mechanisms or devices present 11:02:30

18 in our vehicles. And I think the cars 11:02:32

19 perform the same way on the road as 11:02:34

20 they do in the lab under the same 11:02:36

21 operating conditions. This is a 11:02:39

22 heightened concern. 11:02:40

23 Do you see that? 11:02:41

24 A. I do. 11:02:42

25 Q. So let's turn to exhibit 15 of 11:02:42

ZACHARY NYE, PH.D. - 02/02/2018

Page 63

1	ZACHARY NYE, Ph.D.	
2	your report now.	11:02:44
3	A. Okay.	11:02:47
4	Q. This earnings call is one of	11:02:47
5	the dates you looked at in your event study,	11:02:55
6	is that right?	11:02:57
7	A. That's correct.	11:02:58
8	Q. And your study showed that	11:02:59
9	there was no statistically significant impact	11:03:02
10	on FCA's stock price on the date of that call,	11:03:04
11	is that right?	11:03:07
12	A. That's right.	11:03:07
13	Well, let me just double-check	11:03:09
14	something real quick. (Pause.)	11:03:12
15	Yeah, the conference call was	11:03:45
16	in the morning, and there was no statistically	11:03:51
17	significant price change on January 27, 2016.	11:03:55
18	Q. Okay.	11:04:02
19	MR. LEVY: I think we can take	11:04:03
20	a short break.	11:04:04
21	THE WITNESS: Okay.	11:04:04
22	THE VIDEOGRAPHER: Just watch	11:04:05
23	your mics when you get up, please.	11:04:08
24	The time is approximately	11:04:13
25	11:04. We are going off the record.	11:04:15

1 ZACHARY NYE, Ph.D.

2 no mention of defeat devices that I can at 11:24:03

3 least remember from the analyst reports or 11:24:07

4 the -- um -- news articles on this date. 11:24:09

5 Q. Okay. Let's turn back to the 11:24:18

6 complaint on paragraph 345. 11:24:20

7 A. Just bear with me. The 11:24:32

8 complaint. 345. Oh, I opened right to it. 11:24:34

9 Q. Do you see it begins 11:24:39

10 "February 2, 2016 Chrysler issued a press 11:24:41

11 release"? Do you see that? 11:24:44

12 A. Yes. 11:24:45

13 Q. And then further down in the 11:24:45

14 paragraph the complaint alleges that this 11:24:48

15 press release stated that (as read): 11:24:52

16 FCA diesel vehicles do not have 11:24:54

17 a mechanism to either detect that they 11:24:55

18 are undergoing a bench test in a 11:24:57

19 laboratory or to activate a function 11:24:59

20 to operate emission controls only 11:25:00

21 under laboratory conditions. In other 11:25:02

22 words, although emission levels vary 11:25:04

23 depending on driving conditions, the 11:25:06

24 emission control system of the FCA 11:25:08

25 vehicles operate in the same way 11:25:09

ZACHARY NYE, PH.D. - 02/02/2018

Page 69

1	ZACHARY NYE, Ph.D.	
2	under the same conditions whether	11:25:11
3	the vehicle is in a laboratory or on	11:25:13
4	the road.	11:25:14
5	Do you see that?	11:25:15
6	A. Yes.	11:25:16
7	Q. And now if we turn to	11:25:16
8	exhibit 14B of your report, page 6.	11:25:22
9	A. Okay.	11:25:45
10	Q. Do you see the date of that	11:25:45
11	alleged misstatement, February 2, 2016?	11:25:48
12	A. Mm-hmm.	11:25:51
13	Q. And do you agree that your	11:25:52
14	regression analysis shows that there was no	11:25:54
15	statistically significant impact on FCA's	11:25:56
16	stock on the date of that alleged misstatement	11:25:58
17	or the surrounding dates?	11:26:01
18	A. Well, the surrounding dates	11:26:02
19	there are significant price reactions, and I	11:26:05
20	don't at the moment know the timing of this --	11:26:09
21	oh, no, I'm looking at the wrong date. It's	11:26:15
22	February 2, right?	11:26:17
23	Q. February 2, 2016. Yes.	11:26:18
24	A. Okay. I was looking at the	11:26:20
25	next date.	11:26:21

ZACHARY NYE, PH.D. - 02/02/2018

Page 70

1 ZACHARY NYE, Ph.D. 11:26:22  
2 February 2. No, yeah, 11:26:26  
3 there's no significant price reactions on 11:26:28  
4 February 1, 2 or 3, 2016. 11:26:30  
5 Q. And did you review any press or 11:26:33  
6 analyst coverage of this press release by FCA? 11:26:36  
7 A. I may have. I can't recall any 11:26:39  
8 specifically at the moment. 11:26:43  
9 Q. But you didn't include it as 11:26:44  
10 part of your event study? 11:26:46  
11 A. No, I did not. 11:26:47  
12 Q. Let's turn to paragraph 361 of 11:26:48  
13 the complaint. 11:26:54  
14 A. Okay. 11:27:01  
15 Q. It begins, "On September 22, 11:27:01  
16 2016." Do you see that? 11:27:04  
17 A. I do. 11:27:06  
18 Q. If you'll look at the top of 11:27:06  
19 the next page on that date the complaint 11:27:09  
20 alleges that (as read): 11:27:12  
21 A Chrysler spokesman stated 11:27:14  
22 FCA US does not use defeat devices and 11:27:17  
23 that it was working closely with the 11:27:19  
24 EPA and CARB to ensure that its 11:27:21  
25 vehicles were compliant -- to ensure 11:27:23

1	ZACHARY NYE, Ph.D.	
2	its vehicles are compliant with all	11:27:25
3	applicable requirements.	11:27:26
4	Do you see that?	11:27:28
5	A. Yes.	11:27:29
6	Q. And turning back again to	11:27:29
7	exhibit 14B of your report. This is on	11:27:33
8	page 9.	11:27:39
9	A. Okay.	11:27:40
10	Q. Do you see that date,	11:27:40
11	September 22, 2016?	11:27:42
12	A. I do.	11:27:47
13	Q. And do you agree that there's	11:27:47
14	no statistically significant impact on FCA's	11:27:50
15	stock on that date of the alleged misstatement	11:27:53
16	in the complaint or the surrounding dates?	11:27:55
17	A. I do.	11:27:57
18	Q. Let's turn to exhibit 15 of	11:27:57
19	your report.	11:28:08
20	A. Okay.	11:28:10
21	Q. You testified earlier that you	11:28:11
22	included alleged disclosure events on -- in	11:28:22
23	your event study that are listed in the fourth	11:28:27
24	amended complaint, is that right?	11:28:29
25	A. That's correct.	11:28:30

ZACHARY NYE, PH.D. - 02/02/2018

Page 72

1	ZACHARY NYE, Ph.D.	
2	Q. So let's take a look at the	11:28:32
3	event date July 26, 2015. You title it,	11:28:35
4	"NHTSA fined FCA \$105 million for violations	11:28:39
5	in 23 recalls."	11:28:44
6	Do you see that?	11:28:44
7	A. Yes.	11:28:45
8	Q. And according to this chart you	11:28:45
9	found a statistically significant impact at	11:28:47
10	the 92.12 percent confidence level, is that	11:28:51
11	right?	11:28:54
12	A. That's correct.	11:28:54
13	Q. How did you determine what	11:28:55
14	confidence level to use for statistical	11:28:56
15	significance in this report?	11:28:59
16	A. I have routinely reported a	11:29:01
17	statistical significance in reports in	11:29:07
18	securities litigation, event studies in	11:29:10
19	general, at the 90 percent and the 95 percent	11:29:12
20	level.	11:29:14
21	Again, all it means is that a	11:29:17
22	return is particularly extreme in absolute	11:29:19
23	magnitude such that you should only expect to	11:29:25
24	see it either 5 or 10 percent of the time,	11:29:27
25	depending on the confidence level used.	11:29:28

ZACHARY NYE, PH.D. - 02/02/2018

Page 100

1	ZACHARY NYE, Ph.D.	
2	Incremental new information, obviously bad,	12:05:35
3	caused the stock price to go down.	12:05:40
4	Q. Let's turn to page 177 of this	12:05:42
5	exhibit.	12:05:45
6	A. Okay.	12:05:53
7	Q. And this is your analysis of	12:05:54
8	the impact day of May 23, 2017, when the DOJ	12:05:58
9	on behalf of the EPA filed a lawsuit, is that	12:06:04
10	right?	12:06:06
11	A. Correct.	12:06:06
12	Q. And so you mentioned the notice	12:06:07
13	of violation from the EPA, and if you look on	12:06:09
14	this page you'll see that in its press release	12:06:12
15	the Department of Justice writes that its	12:06:15
16	allegations are consistent with those set	12:06:18
17	forth in notice of violation that EPA issued	12:06:19
18	to FCA US LLC and FCA NV on January 12, 2017.	12:06:22
19	Do you see that?	12:06:28
20	A. Yes.	12:06:28
21	Q. So if the allegations are not	12:06:28
22	new, wouldn't we expect to --	12:06:32
23	MR. LEVY: Withdrawn.	12:06:35
24	BY MR. LEVY:	12:06:36
25	Q. If the allegations are not new,	12:06:36

ZACHARY NYE, PH.D. - 02/02/2018

Page 101

1 ZACHARY NYE, Ph.D.

2 why would we expect to see a stock price 12:06:38  
3 decrease that day? 12:06:40

4 A. I think it's clear from the 12:06:41  
5 coverage of the analysts. I mean, it is 12:06:43  
6 incremental new information disclosed on 12:06:45  
7 May 23rd. I believe -- I should check. My 12:06:49  
8 understanding is, I believe in January they 12:06:52  
9 had not accused it of having, quote-unquote, 12:07:02  
10 cheat or defeat devices, but now they are 12:07:08  
11 alleging that, and it was an incremental 12:07:16  
12 difference. 12:07:19

13 Q. I can represent to you that the 12:07:19  
14 NOV stated that FCA vehicles may contain 12:07:23  
15 defeat devices. 12:07:27

16 A. Yeah, but analysts -- let's go 12:07:28  
17 to that date. So it's January 12, 2017. 12:07:31  
18 (Pause.) 12:07:48

19 It's a long one. There's a lot 12:07:49  
20 of analyst reports on that day. (Pause.) 12:07:55

21 I think this is pervasive. 12:08:34  
22 They're all the analyst reports, but like the 12:08:39  
23 Commerzbank analyst report discussed on page 12:08:41  
24 128 of my exhibit 15, it describes the EPA 12:08:44  
25 issued a notice of violation. It's the second 12:08:57

1	ZACHARY NYE, Ph.D.	
2	paragraph of the block quote. It starts "What	12:09:00
3	happened," question mark. And they describe	12:09:02
4	the EPA issued a notice of violation. And	12:09:05
5	they say (as read):	12:09:11
6	While the EPA issued a	12:09:11
7	violation notice of the Clean Air Act,	12:09:13
8	it did not yet call it a defeat	12:09:15
9	device. FCA has to prove now that it	12:09:19
10	is not VW-like software. Cynthia	12:09:21
11	Giles, EPA's enforcement chief, stated	12:09:27
12	that: Our meetings with Fiat Chrysler	12:09:29
13	to date have not produced a viable	12:09:31
14	explanation for the software.	12:09:33
15	FCA denies wrongdoing.	12:09:35
16	So that was a big difference,	12:09:38
17	is that the market considered this to be not a	12:09:40
18	full accusation of using defeat devices, but	12:09:43
19	there was a failure to notify the EPA about	12:09:46
20	the eight auxiliary emission control devices,	12:09:53
21	but had not formally dubbed them or accused	12:09:58
22	them of being, you know, cheat or defeat	12:10:01
23	devices.	12:10:03
24	And if they had -- that was a	12:10:03
25	big problem for VW, because they effective --	12:10:05

ZACHARY NYE, PH.D. - 02/02/2018

Page 103

1 ZACHARY NYE, Ph.D. 12:10:08  
2 they did admit that they had those problems 12:10:08  
3 and that caused the stock price to tank and 12:10:10  
4 caused them to have massive fines and recall 12:10:14  
5 costs. 12:10:17

6 And so the analysts at this 12:10:17  
7 time were drawing a distinction, whereas in 12:10:19  
8 May there was a more formal -- there was an 12:10:21  
9 accusation of use of the eight AECDs, 12:10:25  
10 constituted defeat devices, and that this was 12:10:31  
11 a very serious regulatory infraction by Fiat 12:10:33  
12 Chrysler that would be pursued by the 12:10:41  
13 Department of Justice. 12:10:43

14 Q. Let's turn to the complaint, 12:10:45  
15 paragraph 364. 12:10:47

16 A. Complaint. Okay. I'm there. 12:10:50

17 Q. And it begins (as read): 12:11:09

18 On January 12, 2017 the EPA and 12:11:10  
19 CARB each issued a notice of 12:11:13  
20 violation. 12:11:14

21 Do you see that? 12:11:15

22 A. I do. 12:11:16

23 Q. And then at the very end 12:11:16  
24 of that paragraph, in the penultimate 12:11:19  
25 sentence it states, or the complaint alleges 12:11:23

ZACHARY NYE, PH.D. - 02/02/2018

Page 104

1 ZACHARY NYE, Ph.D.

2 that (as read) : 12:11:26

3 The EPA states to date, despite 12:11:26

4 having the opportunity to do so, FCA 12:11:28

5 has failed to establish that these are 12:11:31

6 not defeat devices. 12:11:32

7 Do you see that? 12:11:33

8 A. I do. 12:11:34

9 Q. So in January 12, 2017 there's 12:11:34

10 been a disclosure to the market about the 12:11:39

11 possibility of FCA vehicles containing defeat 12:11:42

12 devices, is that right? 12:11:44

13 A. Yeah, but there's degrees to 12:11:46

14 the thing, right? This is not the same thing 12:11:49

15 as -- this is saying that they have failed to 12:11:51

16 establish that these are not defeat devices, 12:11:53

17 and the analysts clearly are reacting, saying, 12:11:56

18 oh, they haven't accused them of using defeat 12:11:58

19 devices. 12:12:01

20 Later on, when they are 12:12:01

21 actively accused of using defeat devices, the 12:12:02

22 market reacts negatively and comments that 12:12:05

23 they are accusing them now of using defeat 12:12:08

24 devices. 12:12:10

25 So there's a progression. It's 12:12:10

1	ZACHARY NYE, Ph.D.	
2	not like a binary switch: I've disclosed all	12:12:12
3	the risks, therefore nothing else could	12:12:15
4	possibly happen.	12:12:17
5	No. There's a progression.	12:12:18
6	That's a spectrum of negative probabilities	12:12:19
7	that can occur and that's what's evolving over	12:12:21
8	time, is that we're seeing the information set	12:12:24
9	grow to cover an increasing chance of a	12:12:26
10	negative outcome in a very -- a very negative	12:12:29
11	outcome in terms of dollars concerned, and	12:12:34
12	that causes the stock price to react	12:12:35
13	negatively, as it should, and it did, and it's	12:12:37
14	totally consistent with market efficiency.	12:12:42
15	Q. Have you reviewed the DOJ's EPA	12:12:44
16	complaint from May 23?	12:12:47
17	A. I don't recall reading it. I	12:12:51
18	may have.	12:12:54
19	Q. What's your basis that that	12:12:54
20	complaint contained additional allegations not	12:12:57
21	contained in the NOVs?	12:12:59
22	A. The reactions by the market.	12:13:02
23	Q. Is it possible that the market	12:13:08
24	was reacting to the fact that the Department	12:13:09
25	of Justice filed a lawsuit?	12:13:13

ZACHARY NYE, PH.D. - 02/02/2018

Page 108

1	ZACHARY NYE, Ph.D.	
2	A. Yes.	12:15:45
3	Q. Do you expect to see alleged	12:15:45
4	corrective disclosures in this section?	12:15:48
5	A. Yes.	12:15:51
6	Q. Did you include all of the	12:15:51
7	alleged disclosures in this section in your	12:15:53
8	report?	12:15:56
9	A. I believe so.	12:15:56
10	Q. Let's turn to paragraph 341.	12:15:57
11	A. 341. Okay.	12:16:08
12	Q. It begins on December 9, 2015.	12:16:13
13	Do you see that?	12:16:15
14	A. I do.	12:16:18
15	Q. It states (as read) :	12:16:19
16	On December 9, 2015, after the	12:16:22
17	close of trading, it was announced	12:16:24
18	that NHTSA had issued an amendment to	12:16:25
19	its July 24, 2015 consent order with	12:16:27
20	Chrysler.	12:16:34
21	A. Okay.	12:16:35
22	Q. And looking at the end of the	12:16:35
23	paragraph, it states (as read) :	12:16:36
24	The amendment required Chrysler	12:16:39
25	to pay \$70 million in additional civil	12:16:41

ZACHARY NYE, PH.D. - 02/02/2018

Page 109

1 ZACHARY NYE, Ph.D. 12:16:43  
2 penalties. 12:16:46  
3 A. Okay. 12:16:46  
4 Q. Did you examine this alleged 12:16:46  
5 disclosure in your -- in your event study? 12:16:49  
6 A. I'm familiar with this date. 12:16:53  
7 It's not in the event study. It's -- because 12:16:58  
8 I think this is not -- this is kind of an 12:17:03  
9 addendum to the -- to the July consent order, 12:17:05  
10 so it's adding a little bit in extra costs. 12:17:09  
11 But this isn't the reason why 12:17:11  
12 the markets reacted so negatively on July 26. 12:17:13  
13 It was because more of the recall -- or the 12:17:17  
14 repurchase requirements that could be, you 12:17:21  
15 know, billions of dollars. So that was the 12:17:24  
16 main ramifications of the consent order, and 12:17:26  
17 that the heightened \$70 million fine, you 12:17:28  
18 know, for a company of Chrysler's size, is not 12:17:34  
19 particularly large. 12:17:36  
20 Q. The initial consent order had a 12:17:38  
21 \$105 million fine and this has a \$70 million 12:17:40  
22 fine. It's your testimony that that's not 12:17:44  
23 material? 12:17:46  
24 A. I think I just answered that. 12:17:46  
25 I mean, it's the multibillion-dollar potential 12:17:48

ZACHARY NYE, PH.D. - 02/02/2018

Page 110

1 ZACHARY NYE, Ph.D. 12:17:50

2 liability for product repurchases that is the 12:17:55

3 concern of the market on July 26, 2015. 12:17:55

4 Q. So it's your testimony that 12:17:59

5 this second consent order didn't add any new 12:18:04

6 incremental material information? 12:18:07

7 A. It does, and it may -- but it's 12:18:11

8 not -- it's not going to have a huge impact to 12:18:14

9 the value of the firm, just on its face. 12:18:16

10 Given that it's a continuation of the 12:18:19

11 addendum -- the consent order in July. 12:18:22

12 Q. Let's turn to exhibit 14B of 12:18:26

13 your report. 12:18:29

14 A. 14B, okay. I am there. Okay. 12:18:31

15 Q. And if we look over at, it's on 12:18:49

16 page 5, the date of this alleged disclosure, 12:18:53

17 December 9 and 10. Do you see that on the 12:18:56

18 bottom? 12:18:58

19 A. Yes. 12:18:58

20 Q. And do you agree that there was 12:18:58

21 no statistically significant impact on FCA's 12:19:01

22 stock on those dates? 12:19:04

23 A. Yeah, and I don't know if any 12:19:05

24 other -- I can't recall right now as I sit 12:19:08

25 here today whether there was other 12:19:12

1 ZACHARY NYE, Ph.D.

2 company-specific information disclosed on 12:19:13

3 these days, but the insignificant price 12:19:15

4 reactions to me are totally consistent with 12:19:18

5 market efficiency in this case. Based on what 12:19:20

6 I just said. This is -- the incremental fine 12:19:22

7 is not very large and the real impact was felt 12:19:26

8 in January when the original consent order was 12:19:29

9 filed. Not January. July. 12:19:34

10 Q. Will you turn to page 115 of 12:19:55

11 the complaint. 12:19:57

12 A. Page 115. I am there. 12:20:01

13 Q. And do you see it's titled "The 12:20:07

14 Truth About Chrysler Emissions Violations 12:20:11

15 Begins to Emerge"? 12:20:14

16 A. I see that. 12:20:15

17 Q. Did you include all of the 12:20:16

18 alleged disclosures in this section in -- in 12:20:20

19 your event study? 12:20:24

20 A. I believe so. 12:20:25

21 Q. Let's look at that first 12:20:25

22 paragraph under this section, paragraph 355. 12:20:30

23 Do you see that? 12:20:35

24 A. 355, okay. 12:20:36

25 Q. It states (as read): 12:20:39

ZACHARY NYE, PH.D. - 02/02/2018

Page 112

1 ZACHARY NYE, Ph.D.

2 On May 19, 2016, Chrysler 12:20:42

3 cancelled a meeting with German 12:20:45

4 Transport Minister Alexander Dobrindt 12:20:46

5 to discuss the national investigative 12:20:49

6 commission on emissions, saying that 12:20:52

7 Germany authorities have no say over 12:20:54

8 it. Reacting to this, Dobrindt stated 12:20:55

9 that: This uncooperative conduct by 12:20:57

10 Fiat is totally incomprehensible . . . 12:20:59

11 There are concrete allegations at 12:21:00

12 issue. It would be appropriate if 12:21:02

13 Fiat commented to the investigative 12:21:04

14 committee on this. 12:21:05

15 Do you see that paragraph? 12:21:05

16 A. Yes. 12:21:06

17 Q. Would you consider this a 12:21:07

18 corrective disclosure? 12:21:09

19 A. I'm not -- I'm not the 12:21:10

20 plaintiffs' counsel or lead plaintiff or a 12:21:12

21 lawyer. But it's in this section. I don't 12:21:16

22 know whether they considered it a corrective 12:21:18

23 disclosure. I believe they don't consider 12:21:20

24 that necessarily a corrective disclosure, at 12:21:21

25 least for loss causation purposes. 12:21:23

ZACHARY NYE, PH.D. - 02/02/2018

Page 113

1 ZACHARY NYE, Ph.D.

2 Q. What's your basis for that? 12:21:25

3 A. Normally my experience with 12:21:26

4 these types of cases is that when you see a 12:21:29

5 discussion of a price decline in a section 12:21:32

6 like this, those end up being the dates that 12:21:35

7 are "corrective." 12:21:38

8 Quote-unquote, "corrective." 12:21:42

9 Q. Could we turn to exhibit 14B of 12:21:53

10 your report. 12:21:56

11 A. Okay. I am there. 12:21:59

12 Q. On page 7 of the report do you 12:22:11

13 find that date, May 19, 2016? 12:22:25

14 A. Yes. 12:22:27

15 Q. And your regression analysis 12:22:27

16 found that there was no statistically 12:22:29

17 significant impact on FCA's stock that day, 12:22:30

18 right? 12:22:33

19 A. Yeah, it's a negative -- it's a 12:22:34

20 fairly large negative residual, minus 2.5 12:22:36

21 percent. Significant at the 83 percent, I 12:22:40

22 suppose, confidence level. But it's, yeah, 12:22:44

23 not significant like at conventional levels. 12:22:46

24 Q. So there was no statistically 12:22:50

25 significant impact on FCA's stock price that 12:22:52

ZACHARY NYE, PH.D. - 02/02/2018

Page 114

1 ZACHARY NYE, Ph.D. 12:22:54  
2 day, correct? 12:22:54  
3 A. No -- it was not significant at 12:22:55  
4 the 90-percent-or-greater level of confidence. 12:22:58  
5 Q. If we look at paragraph 360 of 12:23:05  
6 the complaint. 12:23:07  
7 A. Okay. 12:23:09  
8 Q. It begins (as read): 12:23:09  
9 On September 1st, 2016, Reuters 12:23:12  
10 reported that the German government 12:23:15  
11 had formally accused Chrysler of using 12:23:17  
12 a defeat device to switch off 12:23:20  
13 emissions. 12:23:22  
14 Do you see that? 12:23:22  
15 A. I do. 12:23:23  
16 Q. Did you include that alleged 12:23:23  
17 disclosure in your analysis? 12:23:25  
18 A. I don't -- no, I did not. 12:23:27  
19 Q. Did this provide any new 12:23:30  
20 incremental material that would be of interest 12:23:40  
21 to the market, in your view? 12:23:41  
22 A. I don't know whether -- I don't 12:23:43  
23 have -- I haven't analyzed this one. I can't 12:23:58  
24 recall analyzing this one in particular 12:24:01  
25 detail. 12:24:04

1 ZACHARY NYE, Ph.D.

2 Again, the corrective 12:24:04

3 disclosures are not mine to determine so I'm 12:24:06

4 operating on guidance from counsel. So my 12:24:09

5 understanding is that this is not considered a 12:24:12

6 corrective disclosure. 12:24:14

7 Q. If we turn to exhibit 14B of 12:24:16

8 your report, page 9, where that date appears. 12:24:23

9 A. Okay. 12:24:32

10 Q. Do you agree that there was no 12:24:33

11 statistically significant impact on FCA's 12:24:36

12 stock that day or the next day? 12:24:38

13 A. There is no statistically 12:24:41

14 significant decline -- on September 2 again is 12:24:43

15 a similar thing. It's significant. If the 12:24:53

16 impact date -- which I don't know at the 12:24:57

17 moment whether the impact date is September 2. 12:24:59

18 If it is, that is a negative company-specific 12:25:03

19 return of negative 2.41 percent, which is 12:25:08

20 significant at the 80 percent confidence 12:25:13

21 level, so it's, you know, fairly large. You 12:25:14

22 should only expect to see it, at most, 20 12:25:17

23 percent of the time. But it is not 12:25:20

24 significant at conventional, say, 90 percent 12:25:22

25 or greater confidence levels. 12:25:26

ZACHARY NYE, PH.D. - 02/02/2018

Page 116

1	ZACHARY NYE, Ph.D.	
2	Q. Turning to paragraph 363 --	12:25:28
3	A. 363. Okay.	12:25:37
4	Q. -- of the complaint. It states	12:25:41
5	(as read) :	12:25:42
6	On October 17, 2016 Chrysler's	12:25:42
7	chief technical officer Harald Wester	12:25:45
8	angered members of the European	12:25:48
9	Parliament at a hearing in Brussels	12:25:49
10	when he questioned the methods used to	12:25:51
11	the European governments reporting	12:25:53
12	that Chrysler's diesel cars were	12:25:54
13	emitting far beyond EU limits when	12:25:56
14	driving on the road.	12:25:59
15	Do you see that?	12:26:00
16	A. Yes.	12:26:00
17	Q. Do you have a view on whether	12:26:00
18	the allegations in this paragraph are adding	12:26:07
19	new incremental material information to the	12:26:09
20	market?	12:26:11
21	A. I don't -- at the moment I	12:26:12
22	don't know whether this added incremental	12:26:16
23	information, as I sit here right now.	12:26:18
24	Q. If we go to exhibit 14B to your	12:26:21
25	report.	12:26:27

ZACHARY NYE, PH.D. - 02/02/2018

Page 117

1	ZACHARY NYE, Ph.D.	
2	A. Okay.	12:26:38
3	Q. It's on page 9 that date,	12:26:40
4	October 17, 2016.	12:26:43
5	A. Mm-hmm. I'm there.	12:26:45
6	Q. Do you agree that on that day	12:26:47
7	and the next day there was no statistically	12:26:50
8	significant effect on FCA's stock price?	12:26:52
9	A. I agree.	12:26:55
10	Q. Let's turn to paragraph 372 of	12:26:57
11	the complaint.	12:27:04
12	A. 372. Okay.	12:27:09
13	Q. And the complaint alleges that	12:27:10
14	(as read) :	
15	On May 31, 2017 Germany's	12:27:14
16	transportation ministry announced that	12:27:17
17	it had found a new defeat device in a	12:27:18
18	Chrysler car.	12:27:21
19	Do you see that?	12:27:21
20	A. Yes.	12:27:22
21	Q. Do you have a view on whether	12:27:23
22	that added any incremental information into	12:27:25
23	the market?	12:27:27
24	A. Not as I sit here today.	12:27:28
25	Q. And if we look back to exhibit	12:27:30

ZACHARY NYE, PH.D. - 02/02/2018

Page 118

1	ZACHARY NYE, Ph.D.	
2	14B in your report, that's on page 11.	12:27:37
3	A. Okay.	12:27:46
4	Q. Do you agree that there was no	12:27:46
5	statistically significant impact on FCA's	12:27:51
6	stock price that day?	12:27:53
7	A. I agree.	12:27:55
8	Q. And then turning to paragraph	12:27:56
9	373 to the complaint.	12:28:01
10	A. Mm-hmm, I'm there.	12:28:03
11	Q. It states that (as read) :	12:28:04
12	On May 17, 2017 the European	12:28:06
13	Commission (EC) issued a press release	12:28:11
14	stating that it had decided to launch	12:28:12
15	an infringement procedure against	12:28:13
16	Italy for failing to fulfill its	12:28:15
17	obligations under EU vehicle	12:28:17
18	type-approval legislation with regard	12:28:19
19	to Chrysler automobiles.	12:28:21
20	Do you see that?	12:28:22
21	A. Yes.	12:28:23
22	Q. Do you have a view on whether	12:28:24
23	that added any incremental information into	12:28:26
24	the market?	12:28:27
25	A. Not as I sit here today.	12:28:28

ZACHARY NYE, PH.D. - 02/02/2018

Page 119

1 ZACHARY NYE, Ph.D.

2 Q. And if we turn to exhibit B of 12:28:30

3 your report on page 12. 12:28:36

4 A. I am there. 12:28:52

5 Q. Do you agree that on that 12:28:55

6 date, on the day of the alleged disclosure, 12:28:58

7 May 17, 2017, and the next day, there was no 12:28:59

8 statistically significant impact on FCA's 12:29:02

9 stock price? 12:29:04

10 A. I agree. 12:29:05

11 MR. LEVY: I think we can break 12:29:09

12 for lunch. 12:29:10

13 MR. LIEBERMAN: Great. 12:29:10

14 THE VIDEOGRAPHER: The time is 12:29:11

15 approximately 12:29. We're going off 12:29:14

16 the record. 12:29:17

17 - - -

18 (Lunch recess taken at 12:29 p.m.) 12:29:18

19

20

21

22

23

24

25



ZACHARY NYE, PH.D. - 02/02/2018

Page 121

1 ZACHARY NYE, Ph.D.  
2 framework for quantifying per-share damages on 13:19:45  
3 a classwide basis. It has -- it describes a 13:19:48  
4 methodology based on an event study, or the 13:19:52  
5 event study methodology that has been accepted 13:19:55  
6 many, many times in federal securities 13:20:00  
7 litigation. 13:20:02

8 And all I'm doing here is just 13:20:03  
9 describing how it is done, you know, in a 13:20:05  
10 general sense, and that I believe it's 13:20:09  
11 applicable to this case. 13:20:12

12 Q. And so you are not actually 13:20:14  
13 offering a damages model now? 13:20:16

14 A. No, I haven't quantified 13:20:18  
15 per-share damages or examined loss causation 13:20:23  
16 in this matter. 13:20:25

17 Q. This is just kind of a 13:20:26  
18 high-level general sense of what such a model 13:20:28  
19 might look like? 13:20:30

20 A. It's a -- it's describing the 13:20:31  
21 general economic framework for quantifying 13:20:33  
22 per-share damages on a classwide basis. 13:20:36

23 Q. Okay. In paragraph 74 you 13:20:39  
24 write that (as read): 13:20:42

25 Price inflation may be measured 13:20:44

ZACHARY NYE, PH.D. - 02/02/2018

Page 152

## 1 C E R T I F I C A T E

2 STATE OF NEW YORK )

3 COUNTY OF NEW YORK )

4 I, FRANK J. BAS, a Registered  
5 Professional Reporter, Certified Realtime  
6 Reporter and Notary Public within and for the  
7 State of New York, do hereby certify:

8 That ZACHARY NYE, Ph.D., the witness  
9 whose testimony is hereinbefore set forth, was  
10 duly sworn by me and that such testimony given  
11 by the witness was taken down stenographically  
12 by me and then transcribed.

13 I further certify that I am not  
14 related by blood or marriage, to any of the  
15 parties in this matter and that I am in no way  
16 interested in the outcome of this matter.

17 That any copy of this transcript  
18 obtained from a source other than the court  
19 reporting firm, including from co-counsel, is  
20 uncertified and may not be used at trial.

21 IN WITNESS WHEREOF, I have hereunto  
22 set my hand this 2nd of February, 2018.



23 FRANK J. BAS, RPR CRR  
24 STATE OF NEW YORK  
25 Notary Public No. 01BA6260327  
(My commission expires 4/30/2020)